Kingsfield
Environmental Corporation

1995 ANNUAL REPORT

Corporate Summary

As a result of heightened public concern, regulators are implementing tighter controls intended to reduce the volume of source-point hazardous waste. The result is a new era of waste minimization. To comply with the waste reduction mandates, waste generators need innovative technologies, products and ideas that meet both regulatory and business objectives. Generators want cost effective solutions - real solutions - to eliminate their waste problems.

Kingsfield has taken several dramatic steps in its evolution as a provider of waste minimization solutions in the highly dynamic environmental industry. The company has completed the acquisition and development of two technologies that provide real solutions for customers in the areas of waste minimization and reduction of environmental liability. These technologies will establish Kingsfield as a national corporation both in the USA and in Canada. One of these technologies is held by Ace Solvent Systems, Inc., and is a patented self-contained machine that provides for on-site cleaning of parts and tool cleaning solvent. The other technology is held by Compak Filter Services Inc., and is a proprietary truck mounted compaction process that allows for the effective on-site compression of used automotive oil filters allowing for the recovery of the used oil.

Mission Statement

Kingsfield Environmental Corporation is committed to the profitable commercial development and expansion of environmental, waste management and recycling technologies that have applications in commercial and industrial markets. The Company will grow through:

- corporate acquisitions
- technology acquisitions
- joint ventures

Annual Meeting

Shareholders are invited to attend Kingsfield's annual meeting to be held at 2:00 p.m. on June 21, 1996 at the Company's head office located at #206 - 1410 Mayor Magrath Drive South Lethbridge, Alberta.

Kingsfield Environmental Corporation completed its transition in 1995 to an active operating company from an investment holding company. That transition was accompanied by the development of a clear Kingsfield strategy for providing on-site waste treatment to the environmental market. As part of this strategy during the year, the Company committed its resources away from the heavily regulated fixed site waste processing facility, to its leading edge environmental technologies for on-site waste processing services. The Company's on-site technologies offer a significant reduction in the amount of hazardous waste generated by the customer. The result: more efficient cost effective service to the waste generator/customer and less regulatory liability for both the customer and the Company.

1995 was marked by the following events:

1. The acquisition in July 1995 of the patented "Ace" technology - an on-site solvent distillation system used for treating used parts cleaner solvent. The Ace technology was developed in 1991 and has been used successfully in the State of Oregon since then. Ace is now, under Kingsfield's ownership, ready for rollout into other major market areas in the United States and Canada.

2. The sale by the Company of its relatively passive 49.9% interest in the two year old joint venture company Triwaste Technisol Inc., owner of a solvent recycling facility in Raymond Alberta. Despite the Company's profitability, the sale was prompted by disappointing sales volumes and growing concerns about potential environmental liabilities associated with the Raymond site. The transaction which closed September 30, 1995 produced a profit on sale of $389,113.

3. Preparation for franchising of the Company's patented on-site oil filter recycling technology. Compak Filter Services Inc., a Calgary, Alberta based company, was acquired in November 1994 and currently provides mobile filter compaction and related used oil recovery services to over 200 Western Canadian customers. A corporate owned operation has now been operating profitably since fall 1993 and forms a model franchise for training of new franchisees.

Ace Solvent Systems Inc.

The "Ace" technology was acquired from Robert Westcott of Canby, Oregon in July, 1995 after nine months of investigation and negotiations. The Ace acquisition involved the patents and related technology, and the world wide marketing rights to solvent distillation technology used in on-site cleaning of parts cleaner solvent. The existing parts cleaner rental business in the United States is a $360 million industry with over 600,000 parts cleaners currently in use. Parts cleaners are used as degreasing systems in a broad range of industrial settings from single-owner auto mechanic shops to large industrial/manufacturing operations. The Ace solvent cleaner attaches to parts cleaner units and distills the solvent on-site thereby minimizing waste volumes and disposal problems and eliminating the risk of transporting large volumes of used solvent (a hazardous waste). The Ace technology will be marketed throughout North America on a rental basis. A 10% market

penetration represents an estimated $75 million business for Kingsfield. By year end the Company had taken delivery of the first 100 Ace units and had placed deposits for the manufacture of 300 more. Key components of the Ace marketing strategy has been retaining the expertise to obtain formal regulatory clearance in various state jurisdictions and sales and marketing expertise from the parts cleaner industry. Both of those requirements were met by the end of 1995 with the addition of Roy Brower of Portland Oregon who has 13 years of regulatory experience in the environmental field and consultant, Jim Isanhart, of Chicago, Illinois, a former Safety Kleen Vice President with 22 years in the solvent cleaning industry.

Rollout of the patented Ace technology represents Kingsfield's most significant business opportunity in its seven years as a public company. The parts cleaner industry is well established and uses obsolete technology that predates the "green age" and any widespread sense of environmental responsibility. The market for parts cleaning services include hundreds of thousands of businesses that use petroleum based solvent to clean parts and tools as a part of their daily routine. These businesses include machine shops, service stations, auto repair facilities, new car agencies and major manufacturers and range in size from Fortune 500 companies to corner garages. The regulations imposed on these companies encourage waste minimization and reinforce the need for Kingsfield's services.

Kingsfield is the only company offering on-site treatment of used solvent for the parts cleaner industry. The current method used by other providers in the industry is limited to the collection and replacement of spent parts cleaning solvent - a hazardous waste that is hauled away for disposal or processing and which creates a potential liability for the business owner. The businessman must be sure that the company hauling and processing the material is operating within government regulations and that unprocessed materials are disposed of properly. An additional burden created with the generation of this hazardous waste is the administrative weight of the permits and manifests needed to transport a hazardous waste plus the possibility of environmental liability should a problem occur.

The Ace solvent cleaning system significantly reduces the generation of hazardous waste thus virtually eliminating the potential environmental liability for the generator.

Sale of Triwaste Technisol Interest

Triwaste Technisol Inc., (TTI) a joint venture, was created in August 31, 1993 when Kingsfield sold its still growing but capital short solvent recycling business to TTI for cash, assumption of debt and 49.9% of the shares of the new company. Triwaste Reduction Services Inc., the 50.1% partner in the joint venture, and a wholly owned subsidiary of Trimac Limited of Calgary Alberta, assumed principal management responsibilities for the operation. Their marketing and financial strengths were intended to produce rapid and profitable growth. Despite 20% pretax profits guaranteed under a negotiated transfer price formula from Triwaste's marketing arm, volume increases did not materialize at the rate expected. Management also became concerned about contingent environmental liabilities associated with the operation of the joint venture's major asset, the solvent recycling facility in Raymond, Alberta. The company negotiated a $ 976,366 cash sale of its

minority interest with the sale completed effective September 30, 1995. Profit on the sale of this investment totaled $389,113. Triwaste also assumed all Triwaste Technisol Inc. debt and provided Kingsfield with comprehensive indemnification of past, present and future environmental liabilities. Kingsfield's balance sheet was strengthened significantly with increases in working capital, net tangible assets and a reduction in debt.

The sale of the heavily regulated Raymond facility, to which large volumes of hazardous waste were shipped for processing each month, also fit with the Company's defined strategy to focus on customer waste minimization and on-site waste treatment and reduction technologies. Kingsfield had begun to implement this strategy in the second half of 1994 with the decision not to participate, through Triwaste Technisol Inc., in the acquisition of a similar fixed site solvent processing facility in the Pacific Northwest and with the acquisition in November 1994 of Compak Filter Services Inc.

Compak Filter Services Inc.

The original principals of Compak developed a mobile filter compaction technology that processes used automotive oil filters and industrial process filters. The service is performed on-site at the customer's place of business recovering the used oil which is left to be processed in the customer's used oil recycling program. The compaction process handles several dozen used oil filters at once, compressing them under 150 tons of pressure forcing out 96% of the oil. The compacted metal is then sold by Compak to scrap metal dealers for reprocessing at a steel mill.

Although it is legal to land fill properly drained used oil filters in Compak's existing market area, strong concern by environmentally responsible businesses has resulted in a growing list of satisfied customers.

During 1995 we conducted a thorough review of expansion alternatives including the feasibility of a franchise concept for this proprietary truck mounted technology. Following the feasibility study, existing operations were strengthened and all operational activities, systems and procedures were documented in a comprehensive Franchise Operations Manual. New marketing programs and materials were developed. Canadian trademarks and U.S. trademarks and patents were filed. (Canadian patents were already pending). The equipment itself was modified and two new mobile units were built for eventual sale to franchisees. Franchise agreements, legal disclosure and other documents were completed. A Training Manual was prepared. The existing business operation was modified and streamlined to create a corporate owned model franchise to be used for training purposes. Following this substantial prefranchise investment, which affected Compak's profitability during 1995, franchise marketing was ready to begin in 1996.

A major expansion in the use of Compak's filter compaction technology is planned through the Company's newly established franchise program. Compak plans to sell up to 12 franchises in 1996, its first year of franchising.

Going Forward

Over the next decade we will see significant changes in several industries as governments and regulators take a more active role in protecting the environment and enforcing waste reduction.

In the United States, the Congress confirmed the key role of pollution prevention in the nation's environmental protection scheme, by passing the Pollution Prevention Act. In section 6602(b) of this law, 42 U.S.C. 13101(b), Congress stated that "the national policy of the United States is, first, to prevent or reduce pollution at the source whenever feasible; second, pollution that cannot be prevented should be recycled in an environmentally safe manner whenever feasible; and, finally, disposal or other release should be conducted in an environmentally safe manner." Thus, Congress essentially codified as law the hierarchy of management options that mirror those followed by EPA's waste management programs over the past fifteen years, i.e., prevention first, then environmentally sound recycling, treatment and disposal.

Both of Kingsfield's proven new technologies fit directly with Congress's number one goal of pollution prevention. The Company's commitment to move from fixed site processing to on-site processing and waste reduction puts it at the forefront of the waste reduction movement where it will gain serious recognition from industries, regulators and investors.

During 1995 management has focused on acquiring and developing the Company's on-site technologies. As a result of this effort, 1996 will see the market expansion of these technologies within the framework of the following goals:

1. Commencement of the national rollout in the United States for the patented "Ace" technology with regulatory clearance in various states to precede market entry. The first states to grant formal written approval to the Ace technology in 1996 include Ohio, Illinois, Washington, Colorado and Arkansas. Ace plans to place up to 2,000 rental units during 1996.

2. Sale of 10 - 12 Compak Filter franchises in Western Canada and the United States.

3. Continued expansion of the Company's exposure in the investment community and efforts to strengthen the market for the Company's stock.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The Management and Board of Directors of Kingsfield Environmental Corporation are pleased to present a review of the operations and financial statements for the year ended December 31, 1995. The following information should be read in conjunction with the comparative consolidated financial statements of the Company included in this report.

Significant Factors to Consider in Comparing 1995 and 1994

1. Sale of Triwaste Technisol Inc.

   Detailed information on the operations of Triwaste Technisol Inc. is contained in Note 3 to the attached financial statements. This information is reduced to a one line report of profits of $185,074 on the Statement of Income for the nine months ended September 30, 1995, the date at which the Company sold its 49.9% interest in that joint venture operation. The two previous fiscal periods shown on the Statement of Income also present only the profits (loss) from that now discontinued operation.

2. Transition to an Operating Company

   Following the 1994 decision to chart a growth strategy independent of Triwaste Technisol Inc., a company not requiring active day to day management on the part of Kingsfield, the Company acquired Compak Filter Services Inc. It also continued an aggressive search for other niche technologies which resulted in the July 1995 purchase of the Ace technology. This transition resulted in a significant increase in Administrative Expenses during 1995, details of which are shown in Schedule 3 to the attached statements. Such expenses included full year salary expenses for five persons at the corporate level and for four persons in Compak for most of 1995 along with related office, travel and communication costs.

3. The Purchase of Compak Filter Services Inc.

   Following the closing of the Compak acquisition in November 1994, the financial impact of that operations is reflected in the consolidated statements for 1995. Expenses shown in Cost of Goods Sold and Factory Overhead expenses for the year are principally those of Compak.

Results of Operations

Excluding the operations of Triwaste Technisol Inc. (TTI), revenue and expenses both grew significantly in 1995 principally due to the addition of Compak Filter Services and the transition from a low overhead holding company to an operating company. TTI itself showed no growth during the three quarters prior to sale on September 30, 1995. Revenues from continuing operations totaled $519,099. Profits from TTI's operation and the gain on the sale of that investment contributed to the elimination of the remaining operating deficit leaving only a small loss of $82,969.

Compak revenues for the year totaled $416,433. Direct customer servicing activities in Compak produced an operating profit of approximately $90,000 after overhead allocations. The company was able to realize additional operating efficiencies as the year progressed and following the appointment of Mr. William Robertson as President of Compak in August 1995. Approximately $200,000 of franchise development related expenses were incurred during the year in the areas of equipment redesign, marketing, materials, consulting and legal services, development of systems, procedures, operating manuals and training materials.

Kingsfield's only debt outstanding is owed by Compak - its bank operating line of credit and the equipment loan on the original mobile compacting unit.

Auditors' Report

To the Shareholders of
Kingsfield Environmental Corporation

We have audited the consolidated balance sheets of Kingsfield Environmental Corporation as at December 31, 1995 and December 31, 1994 and the consolidated statements of income, retained earnings (deficit) and changes in financial position for the periods then ended as well as for the period ended December 31, 1993. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1995 and December 31, 1994 and the results of its operations and the changes in its financial position for the periods then ended as well for as the period ended December 31, 1993 in accordance with generally accepted accounting principles.

Dawson Bergen & Partners
Chartered Accountants

Lethbridge, Alberta
April 19, 1996

COMMENTS BY AUDITORS FOR US READERS
ON CANADA - US REPORTING CONFLICT

In the United States, investments in joint ventures are accounted for under the equity method. These financial statements are prepared in accordance with Canadian generally accepted accounting principles which allow proportionate consolidation of operating joint ventures. A summarized balance sheet and statement of income for the joint venture is presented in Note 3 to the Consolidated Financial Statement.

Dawson Bergen & Partners
Chartered Accountants

Lethbridge, Alberta
April 19, 1996

Consolidated Balance Sheet

AS OF DECEMBER 31,

ASSETS

	1995	1994
Current		
Cash	$ 475,355	$ 69,482
Term Deposits	0	1,000,000
Accounts Receivable	64,928	222,467
Due from shareholders	122,507	0
Inventory	10,757	48,303
Income tax receivable	105	105
Prepaid Expenses	142,003	12,553
	815,655	1,352,910
Property & Equipment (note 2)	484,642	1,492,332
Other		
Patents net of accumulated amortization (note 1)	184,120	0
Goodwill net of accumulated amortization (note 1)	461,550	579,762
	645,670	579,762
	$ 1,945,967	$ 3,425,004

LIABILITIES

	1995	1994
Current:		
Accounts payable and accrued liabilities	$ 63,409	$ 369,435
Demand loan	38,000	0
Current portion of long term debt (note 5)	23,239	63,362
	124,648	432,797
Long-Term:		
Due to an affiliated company	0	405,090
Long term debt (note 5)	36,954	301,299
	36,954	706,389
	161,602	1,139,186

SHAREHOLDERS' EQUITY

	1995	1994
Share Capital (note 6)	3,715,379	4,133,864
Retained Earnings (Deficit)	(1,931,014)	(1,848,045)
	1,784,365	2,285,819
	$ 1,945,967	$ 3,425,005

Commitment (note 12)

Approved by the Board:

Director

Director

Consolidated Statement of Income

		Year Ended December 31, 1995		Year Ended December 31, 1994		Four Months Ended December 31, 1993
Revenue	$	519,099	$	271,025	$	22,616
Cost of goods sold (schedule 1)		191,484		15,023		67,355
		327,615		256,002		(44,739)
Expenses:						
Factory overhead (schedule 2)		231,576		22,721		7,523
Administrative (schedule 3)		753,195		286,083		64,013
		984,771		308,804		71,536
Income (Loss) From Continuing Operations		(657,156)		(52,802)		(116,275)
Income (Loss) From Discontinued Operations		185,074		79,673		(127,030)
Gain (loss) on sale of investment		389,113		0		0
Income (Loss) Before Income Taxes		(82,969)		26,871		(243,305)
Income Taxes						
Current		0		57,812		0
Reduction by application of loss carry forwards		0		(57,812)		0
		0		0		0
Income (Loss) For The Year	**$**	**(82,969)**	**$**	**26,871**	**$**	**(243,305)**
Income (Loss) Per Share From Continuing Operations	$	(0.03)	$	0.00	$	(0.01)
Income (Loss) Per Share From Discontinued Operations	$	0.03	$	0.00	$	(0.01)
Income (Loss) Per Share (note 11)	$	0.00	$	0.00	$	(0.02)

Consolidated Statement of Retained Earnings (Deficit)

		Year Ended December 31, 1995		Year Ended December 31, 1994		Four Months Ended December 31, 1993
Retained Earnings (Deficit), Beginning of Year	$	(1,848,045)	$	(1,874,916)	$	(1,631,611)
Income (Loss) for the year		(82,969)		26,871		(243,305)
Retained Earnings (Deficit) at end of year	$	(1,931,014)	$	(1,848,045)	$	(1,874,916)

Consolidated Statement of Changes in Financial Position

	Year Ended December 31, 1995	Year Ended December 31, 1994	Four Months Ended December 31, 1993
CASH PROVIDED BY (USED FOR):			
OPERATIONS			
Income (Loss) from continuing operations	$ (657,156)	$ (52,802)	$ (116,275)
Items not involving cash			
Depreciation and amortization	114,549	16,052	675
Loss (Gain) on sale of fixed assets	7,485	6,974	0
	(535,122)	(29,776)	(115,600)
Change in non-cash operating working capital balance			
Accounts receivable	1,797	108,205	(8,215)
Due from shareholders	(122,507)	0	0
Inventory	(1,132)	(9,624)	0
Prepaid Expenses	(141,118)	(885)	789
Accounts payable	(9,710)	(457,585)	(49,827)
Demand notes payable	0	(15,109)	15,109
Due from affiliated company		0	163,086
From continuing operations	(807,792)	(404,774)	5,342
From discontinued operations	(30,658)	220,637	(55,441)
FINANCING			
Issue of share capital	(418,485)	2,359,683	0
Loans from shareholders	0	151,740	18,879
Loans, net of repayments	0	72,132	(26,824)
	(418,485)	2,583,555	(7,945)
INVESTMENTS			
Net Proceeds from Sale of Operating Assets	976,366	0	0
Goodwill purchased - TriWaste Technisol Inc.	0	0	(90,507)
Sale (purchase) of property and equipment	(502,399)	(709,484)	33,373
Purchase of US patent rights	188,841	0	0
Purchase of ComPak Filter Services Inc.			
Purchase of fixed assets	0	(286,583)	0
Purchase of goodwill	0	(347,931)	0
Write off investment	0	0	110
	662,808	(1,343,998)	(57,024)
INCREASE IN CASH POSITION	(594,127)	1,055,420	(115,068)
CASH POSITION AT BEGINNING OF YEAR	1,069,482	14,062	129,130
CASH POSITION AT END OF YEAR	$ 475,355	$ 1,069,482	$ 14,062
CONSISTING OF:			
Cash	$ 475,355	$ 1,069,482	$ 14,062
Demand Bank Loans	0	0	0
	$ 475,335	$ 1,069,482	$ 14,062

Notes to Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation:
The financial statements are prepared in Canadian dollars.

b) Basis of Consolidation:
The consolidated financial statements of the Corporation include accounts of Kingsfield Environmental Corporation (formerly Kingsfield Capital Corporation) and its wholly owned subsidiaries, Technisol Incorporated, Compak Filter Services Inc., Compak Filter Services (Franchising), Inc., Kingsfield Environmental, Inc. and Ace Solvent Systems, Inc. All significant inter-company accounts and transactions have been eliminated. The investment in Triwaste Technisol Inc., a jointly controlled joint venture was recorded on a proportionate consolidation basis until it was sold in September 1995.

c) Inventory:
Inventory is recorded at the lower of cost and net realizable value.

d) Property and Equipment:
Property and equipment are recorded at cost.

e) Patents:
US patents are amortized over their life of 17 years.

f) Goodwill:
The acquisition cost of investment in subsidiaries is allocated to the fair market value of that company's assets, at the date of acquisition and the balance to goodwill. Goodwill is amortized over 40 years

g) Losses Carried Forward:
At December 31, 1995 losses carried forward for tax purposes aggregating $1,565,267 are available for reduction of future years taxable income. These losses expire as follows:

1999	137,971
2000 - August 31	541,479
2000 - December 31	142,780
2001	254,552
2002	488,485

The future tax benefit of these losses has not been given recognition in the financial statements.

The corporation also has capital losses of $1,419,003 only available to offset capital gains and has no time limit.

2. PROPERTY AND EQUIPMENT

	1995			*1994*
	Cost	*Accumulated Depreciation*	*Net*	*Net*
Land	$ 0	$ 0	$ 0	$ 0
Equipment	547,845	114,712	433,133	219,329
Automotive	0	0	0	31,148
Computer	67,758	16,249	51,509	10,279
Joint Venture				
Land	0	0	0	12,004
Buildings	0	0	0	140,038
Equipment	0	0	0	358,212
Vehicles	0	0	0	4,706
Capital development	0	0	0	716,616
	$ 615,603	$ 130,961	$ 484,642	$ 1,492,332

3. INVESTMENT IN TRIWASTE TECHNISOL INC.

On August 31, 1993, Technisol Incorporated, a wholly owned subsidiary of Kingsfield Environmental Corporation, sold all of its assets, with the exception of 2 pieces of land and the accounts receivable to Triwaste Technisol Inc. and related companies. The consideration was assumption of all debts related to the sold assets and 49.9% shares in the new company.

Price of assets	$ 1,241,231
Assumption of loans	578,883
Cost of 49.9 shares in TriWaste Technisol Inc.	$ 662,348

The joint venture partner also paid $665,000 cash for its shares in the joint venture and paid cash for additional Kingsfield Environmental Corporation and Technisol Incorporated assets not to be owned by the joint venture.

On September 30, 1995, Technisol Incorporated sold its shares in Triwaste Technisol Inc. to its joint venture partner for the amount of $ 976,366. The purchaser released and indemnified Technisol Incorporated from all claims and liabilities related to the assets and operations of Triwaste Technisol Inc.

The jointly controlled joint venture, TriWaste Technisol Inc., is recorded on the proportionate consolidation method. The company's proportionate share in the assets, liabilities, revenues and expenses of its joint venture is as follows:

Balance Sheet

	1995	*1994*
Current Assets	$ 0	$ 214,220
Property and Equipment	0	1,231,576
Goodwill		110,499
Total Assets	$ 0	$ 1,556,295
Current Liabilities	$ 0	$ 317,043
Long term Debt	0	674,639
Share Capital	0	662,348
Retained Earnings	0	(97,735)
Total Liabilities and Equity	$ 0	$ 1,556,295

Income Statement

	Nine Months Ended September30, 1995	*Year Ended December 31, 1994*	*Four Months Ended December 31, 1993*
Sales	$ 1,023,163	$ 1,361,421	$ 246,945
Cost of sales	454,696	669,560	191,586
Gross margin	568,467	691,861	55,359
Factory overhead	56,802	80,565	32,616
General and administrative Expenses	275,607	281,988	132,052
Management fees to shareholders	0	179,640	0
Depreciation	50,984	69,995	17,721
	383,393	612,188	182,389
Net income (loss) for the period	$ 185,074	$ 79,673	$ (127,030)

3. INVESTMENT IN TRIWASTE TECHNISOL INC. Con't

Statement of Change in Cash Position

	Nine Months Ended September 30 1995	*Year Ended December 31 1994*	*Four Months Ended December 31, 1993*
Cash Provided by (Used for):			
Operations	$ (30,658)	$ 357,426	$ (227,196)
Financing Activities			
Issue of shares	168,163	0	662,348
Loans	121,222	414,931	287,635
Dividends	0	(50,739)	0
	289,385	364,192	949,983
Investing Activities			
Purchase of property and equipment	(273,687)	(722,445)	(587,660)
Purchase of goodwill	0	0	(119,340)
	(273,687)	(722,445)	(707,000)
Increase (decrease) in cash for the period	(14,960)	(827)	15,787
Cash Position at beginning of period	14,960	15,787	0
Cash Position at end of period	$ 0	$ 14,960	$ 15,787

4. ACQUISITION

The Company purchased 100 % of the voting shares of ComPak Filter Services Inc., a company involved in the recycling of oil filters and industrial process filters.

The Company has used the purchase method of accounting for this acquisition with an effective acquisition date of November 16, 1994. The results of operations of this acquired business are included within the 1994 income statement for the period November 16, 1994 to December 31, 1994 and the 1995 income statement for the entire year. The transaction may be summarized as follows:

Net assets acquired at fair market value	
Current assets	34,490
Capital assets	111,944
Goodwill	117,205
	$ 263,639

Consideration for the net assets acquired is represented as follows:	
Assumption of current liabilities	135,132
Assumption of long term liabilities	101,841
88,887 shares with an ascribed valued of $0.30 per share	26,666
	$ 263,639

5 LONG TERM DEBT

Interest Rate	Monthly Payment	Includes Interest	Collateral	1995	1994
Prime plus 1 1/2	950	Yes	Building	$ 0	$ 44,110
14.75	8,890	Yes	Land, building, equipment	0	178,138
9	1,208	No	Furniture and fixtures	0	29,860
Prime plus 1 3/4	3,000	No	Equipment	60,193	112,553
			Total	$ 60,193	$ 364,661
			Current portion	23,239	63,362
			Long term portion	$ 36,954	$ 301,299

6 SHARE CAPITAL

a) Authorized:
Unlimited number of common shares of no par value

	1995	*1994*
b) Issued: 19,062,528 common shares (19,312,528 in 1994)	$3,715,379	$4,133,864

Shares issued during the year: 0

During the year ended December 31, 1995, $418,485 was spent on activities related to the potential exercise of warrants, as described in (c) below. As at December 31, 1995 no warrants have been exercised.

During the year ended December 31, 1995, 250,000 shares previously held in escrow until performance conditions were met, were canceled.

c) Warrants:
There are 4,719,923 warrants outstanding to purchase an equivalent number of shares. They have an exercise price of $0.75 per share and expire February 29, 1996.

d) Options:
At December 31, 1995 there were 1,410,000 options outstanding to purchase an equivalent number of shares.
10,000 - have an exercise price of $0.60 per share and expire June 7, 1996.
1,000,000 - have an exercise price of $0.42 per share and expire July 8, 1998.
400,000 - have an exercise price of $0.30 per share and expire November 23, 1999.

e) Fully Diluted:
If all warrants and options are exercised there would be a total of 25,192,451 shares outstanding.

7. INCOME TAXES

The company's actual tax rate differs from the standard 44% corporate rate due to the application of losses carried forward.

8. RELATED PARTY TRANSACTIONS

Virtually all sales of Triwaste Technisol Inc. during the period of company ownership were to Triwaste Reduction Services Inc., a joint venture affiliate, at a price negotiated between the joint venturers to provide a net profit of 20%.

9. EARNINGS PER SHARE

The earnings (loss) per share figures are calculated using the weighted monthly average number of shares outstanding during the respective fiscal periods.

10. COMPARATIVE FIGURES

The previous years figures have been restated to conform with the format adopted for this year.

11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

a) Included in the Company's Consolidated Statements, the company has recorded its investment in Triwaste Technisol Inc., a 49.9% owned operating joint venture on a proportionate consolidation basis in accordance with Canadian GAAP. In the United States, investments in joint ventures are accounted for under the equity method. A summary of the transactions included in the consolidation that apply to Triwaste Technisol Inc. can be found in Note 3.

b) Supplementary disclosure of cash flow information:

	Year Ended December 31, 1995	*Year Ended December 31, 1994*	*Four Months Ended December 31, 1993*
Cash paid during the year for:			
Interest	$ 15,658	$ 38,043	$ 14,395
Income tax	$ 20,293	$ 0	$ 0

c) Supplementary schedule of non-cash investing and financing activities.

Included in the statement of changes in financial position are non-cash activities relating to the acquisition of assets in exchange for shares of the company. These transactions are summarized in Notes 3 and 4 to the consolidated financial statements.

d) Income taxes

Because the company has a history of income tax losses, there are no differences in recording income tax liability and expense between Canadian and United States GAAP.

12. COMMITMENT

Ace Solvent Systems, Inc. has on going obligations for royalty payments in connection with the purchase of the "Ace" patents up to a total of $5,000,000 US to be paid over the life of the patents which expire in May 2007. Royalties are paid at the rate of 2% of Domestic Gross Revenues and 1% of International Gross Revenues with minimum payments beginning in July 1997 as follows:

From July 1997 - June 2001	$ 8,333.33 US per month
From July 2001 - July 2005	$ 25,000.00 US per month
From July 2005 - May 2007	an amount equal to the unpaid balance of $5,000,000 US divided by 23 months.

13. SEGMENTED INFORMATION

Through the subsidiary company Technisol Incorporated, the company operated a chemical recycling plant. The operations continued for nine months of the current period through a joint venture company, Triwaste Technisol Inc. Kingsfield's subsidiary company, Compak Filter Services Inc, was involved in the recycling of oil filters. All operations are carried out in Western Canada. In 1995 Kingsfield Environmental Corporation, through newly formed United States subsidiaries, Kingsfield Environmental, Inc. and Ace Solvent Systems, Inc. acquired the patented technology to perform on site treatment (distillation) of parts cleaner solvents (the "Ace" technology). During 1995, the company manufactured 100 machines for this purpose and placed deposits for the manufacture of additional machines. These machines were not yet placed for use by customers during 1995 and no rental revenues were earned.

Schedule 1 **COST OF GOODS SOLD**

	Year Ended December 31, 1995	Four Months Ended December 31, 1994	Year Ended December 31, 1993
Materials Purchased	$ 52,457	$ 658	$ 4,416
Sub contract	0	0	0
Direct Labor	127,813	14,365	0
Freight	11,214	0	0
Waste Disposal - Current	0	0	62,939
Laboratory supplies	0	0	0
Cost of Goods Sold	**$ 191,484**	**$ 15,023**	**$ 67,355**

Schedule 2 **FACTORY OVERHEAD EXPENSES**

	Year Ended December 31, 1995	Year Ended December 31, 1994	Four Months Ended December 31, 1993
Depreciation and Amortization	$ 114,549	$ 16,052	$ 675
Equipment Maintenance	42,154	4,474	574
Gas and Oil	38,721	592	1,183
Insurance, Taxes, Licenses	32,366	1,603	3,718
Utilities	3,786	0	1,373
Warranty Expense	0	0	0
	$ 231,576	**$ 22,721**	**$ 7,523**

Schedule 3 **ADMINISTRATIVE EXPENSES**

	Year Ended December 31, 1995	Year Ended December 31, 1994	Four Months Ended December 31, 1993
Advertising	$ 18,147	$ 793	$ 3
Bad debts (recovery)	0	(371)	1,717
Buildings repairs and maintenance	1,605	0	0
Consulting fees	31,408	62,646	4,490
Directors fees	30,000	0	0
Education & professional development	2,714	0	0
Foreign exchange loss	9,902	0	0
Interest and bank charges	13,283	10,949	2,351
Interest on long term debt	16,428	3,273	160
Loss on sale of fixed assets	7,485	6,974	0
Office supplies and postage	36,687	24,283	1,080
Professional fees	62,118	37,821	36,928
Rent	80,457	1,133	(5,146)
Telephone	34,241	10,746	4,267
Travel	70,282	27,945	3,741
Wages and benefits	338,438	99,891	14,422
	$ 753,195	**$ 286,083**	**$ 64,013**

Corporate Information

Directors & Officers

BERNARD H. NORTON
President, Chief Executive Officer
and Director

ROBERT W. FLETCHER
Director

DON L. HUGHES
Director

Bank

Alberta Treasury Branch
319 6th Street South
Lethbridge, Alberta
T1J 2C7

Corporate Counsel

Stringam Denecky
P.O. Box 757
900 Lethbridge Centre Tower
Lethbridge, Alberta
T1J 3Z6

Auditors

Dawson Berezan and Partners
#200, 220 - 3rd Ave. South
Lethbridge, Alberta
T1J 0G9

Transfer Agent

The R-M Trust Company
600 The Dome Tower
333 - 7th Ave. S.W.
Calgary, Alberta
T2P 2Z1

Head Office

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T1K 2R3
Phone (403) 329-6756
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Toll Free 1-800-462-5504

Mailing Address

Box 1268
Lethbridge, Alberta
T1J 4K1

Wholly-owned Subsidiaries

Ace Solvent Systems Inc.
Kingsfield Environmental Inc.
8215 S.W. Tualatin-Sherwood Rd.
Suite 200
Tualatin, OR
97062

ComPak Filter Service Inc.
ComPak Filter Services (Franchising) Inc.
5472 - 54th Ave. S.E.
Calgary, Alberta
T2C 3A5

Technisol Incorporated
P.O. Box 1268
Lethbridge, Alberta
T1J 4K1

Listed

Alberta Stock Exchange
Trading Symbol: KC

OTC-BB
Trading Symbol: KFLDF

Kingsfield Environmental Corporation

MADE FROM 100% POST CONSUMER WASTE, NON-DE-INKED
NO CHLORINE-BASED BLEACHING AGENTS
ARE USED IN MANUFACTURING PROCESS.
CONTAINS AT LEAST 75% CANADIAN POST-CONSUMER WASTE.

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